Northern Pipeline Agency

Annual Report

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Overview

The Northern Pipeline Agency (NPA or the Agency) was created by the *Northern Pipeline Act* (the Act) in 1978 to carry out federal responsibilities in respect of the planning and construction by Foothills Pipe Lines Ltd. (Foothills) of the Canadian portion of the Alaska Natural Gas Transportation System (ANGTS). Also referred to as the Alaska Highway Gas Pipeline project (AHGP), it is the subject of the 1977 Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline (the Canada-U.S. Agreement). Figure 1 shows the proposed route of the entire pipeline system.

Phase I of the AHGP (the Prebuild) was constructed in 1981-82 for the initial purpose of transporting gas sourced from Western Canada to the United States (U.S.). The current flow capacity of the Prebuild is approximately 3.3 billion cubic feet per day (Bcf/d). Figure 2 shows the details of the existing Prebuild facilities in Canada.

Phase II of the AHGP would link the Prebuild with U.S. natural gas reserves at Prudhoe Bay in Alaska. Unfavourable economic conditions from 1982 to the beginning of the last decade led to indefinite delays in the completion of the ANGTS and a prolonged period of low activity for the Agency. In 2008, TransCanada PipeLines Limited (TransCanada), which now owns Foothills, was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to $500 (USD) million in State assistance to pursue an Alaska gas pipeline. This large-scale project of 2,762 km, would transport 4.5 to 5.9 Bcf/d of natural gas in a buried 48-inch, high-pressure pipeline from Prudhoe Bay, Alaska, to markets in Canada and the lower 48 states. Project costs were estimated at $32-41 billion (2009 USD) by TransCanada.

On March 30, 2012, ExxonMobil, ConocoPhillips, BP and TransCanada announced that they were working together on a work plan to assess liquefied natural gas exports from south-central Alaska as an alternative to a natural gas pipeline through Canada. In February 2013, TransCanada notified the Agency that no further work is planned on the AHGP for now, and of their intentions to maintain the AHGP assets in Canada.

To align with the reduction in the AHGP project activities, the Agency scaled down its operations while continuing to fulfill Canada's obligations as set out in the Act. During this time of reduced activities for the foreseeable future, the Agency will remain prepared to respond to any incoming public inquiries from other government agencies, indigenous people and the public. The future of the AHGP continues to rest with its proponents and the commercial marketplace.

Organizational Structure

The Agency's organizational structure is defined by the Act. In 2014-15, the Minister for Natural Resources, the Honourable Greg Rickford, was responsible for the management and direction of the NPA. The Honourable Jim Carr is the current Minister responsible for the management and direction of the NPA.

Figure 1:
The Alaska Natural Gas Transportation System

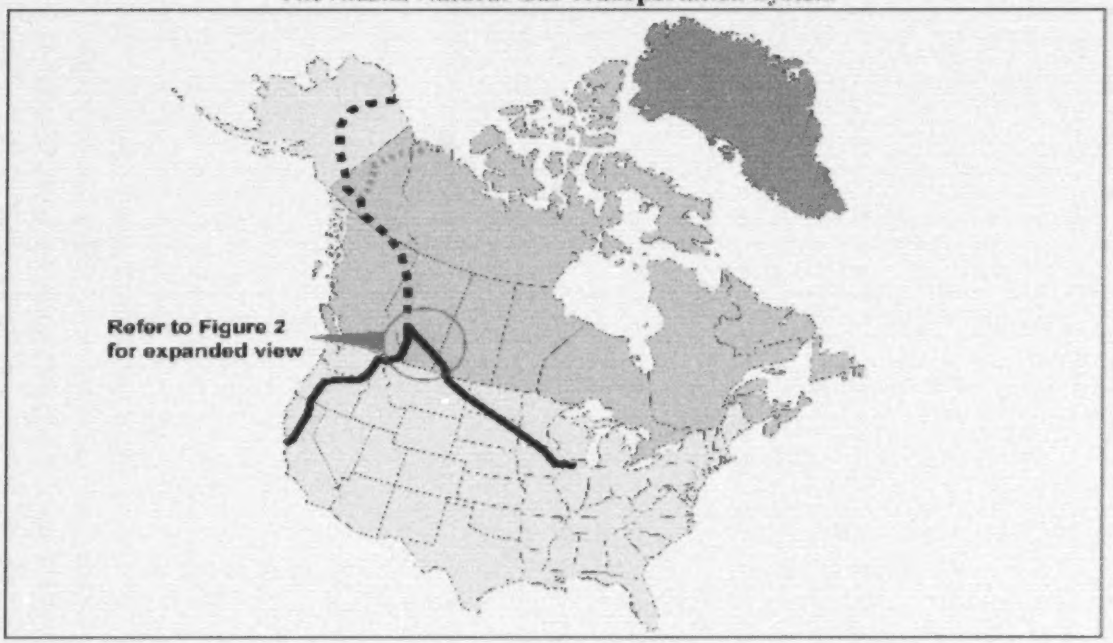
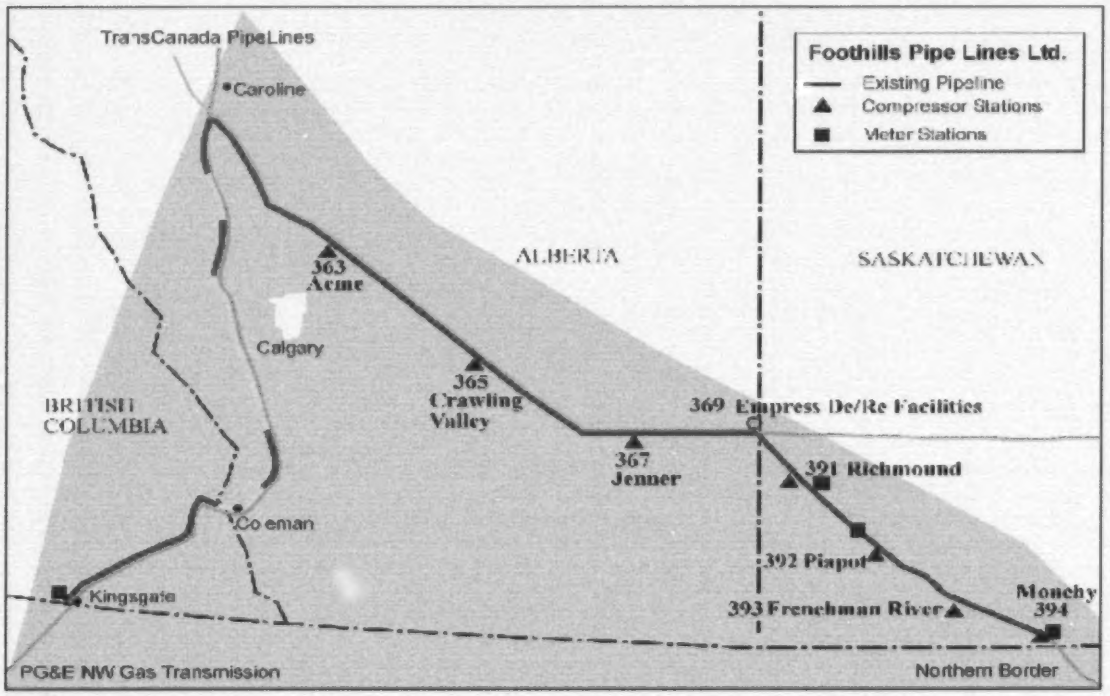


Figure 2:
The Foothills Prebuild



The Act provides for the NPA Deputy Head, called the Commissioner, to be appointed by Governor in Council. During 2014-15, this position was held by the Deputy Minister of Natural Resources Canada, Serge Dupont until July 1st, 2014 and then held by Deputy Minister of Natural Resources Canada Bob Hamilton for the remainder of the fiscal year.

To obtain necessary staff resources to support the Agency activities, the NPA had entered into inter-agency agreements with the Department of Justice and the National Energy Board. Through a Services Agreement, Natural Resources Canada provides internal services support, such as administrative, financial, and information technology assistance, to the NPA.

Key 2014-2015 Activities

The NPA continued to deliver on the responsibilities of the Government of Canada that are embodied in the Act and the 1977 Canada-U.S. Agreement by working, as needed, with other federal departments, provincial and territorial governments, Aboriginal groups, the U.S. Federal Energy Regulatory Commission, the U.S. Office of the Federal Coordinator, and TransCanada.

To align with the reduction in the AHGP project activities, the Agency reduced its staff levels to three and reduced its overall activity level.

Financial Matters

The NPA requested and received a reduced reference level of $750,000 for 2014-2015 from the Government of Canada. During this period, the recoverable expenses for the Agency totaled only $530,310. This expenditure level reflected the reduced level of Agency activities required to be undertaken as a direct result of the project status and the ramp down of the Agency staff levels.

In 2012, the Act was amended to eliminate the requirement for the Agency to have an annual audit of the accounts and financial transactions by the Auditor General of Canada. For the 2014-15 fiscal year, the Agency carried out a review of its financial transactions. The Northern Pipeline Agency unaudited Financial Statements for the year ended March 31st, 2015 may be accessed through the Agency website at http://www.npa.gc.ca.

Under the Act, the Agency's operating expenses are fully cost recovered from TransCanada. Payments made by TransCanada are deposited directly into the Consolidated Revenue Fund of Canada.

Background and Contact Information

Further background information and details on the Agency's authority, mandate and programs are available in the NPA's 2014-15 Departmental Performance Report. This report may also be accessed through the Agency's website.

The Agency's contact information is as follows:

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